

Granite Oaks Water Users Association
Board Meeting Minutes
Special Meeting of April 25, 2012

Approved 5/16/2012

BOARD MEMBERS

Jim Peoples, President Ken Mino, Vice President John James, Treasurer John Monroe, Secretary Gerry Tumey, Director Gene Zutell, Director Dave Kramer, Director

THOSE PRESENT

Contract Staff

Bob Busch, MDI Taxes & Acctg Kim Eldredge- MDI Taxes Jim Muylle, Fann Environmental

Guests

Tom Randa, Jr. – Chase Bank Sherrie Amour – Chase Bank

The meeting was convened at 8:05 am by Jim Peoples.

1, Minutes of Previous Meeting

Jim Peoples asked if there were any comments or corrections to the Minutes of the March 28, 2012 meeting. There were none..

Motion: John Monroe moved to approve Draft2 of the minutes of the Meeting of March 28, 2012. Ken Mino seconded. Motion carried.

2. Discussion of Possible Change of Banks

Since the Chase Bank representatives had not yet arrived, Jim Peoples suggested moving to Banking & Investment Policy, the next item on the agenda.

3. Discussion of Banking & Investment Policy

Jim Peoples stated that members previously received a copy of the bylaws and policies from the Manager. John James indicated he had some recommendations regarding amounts that he would make at the proper time. Jim Peoples commented that the amounts were one item, and that the type of investments are another item for discussion. He indicated that he understood that policy requires federally insured investments. If other types of investments are to be considered, ie stocks and bonds, the policy would have to be changed. Dave Kramer stated that if inflation is at 5% and interest rates are 1%, we are losing money. John Monroe commented that if we invest in stocks and they tank, we lose too. Dave responded that there are other types of insured investments. He cited that his mother has invested in high yield bonds (6% range) with BBB rating. US bonds are at AA. There are also bond funds. John James asked if a corporation could buy into a bond fund. Dave was not sure.

Sherrie Amour (who had just arrived) offered that Chase Bank might be able to help select investments, both short and long term that are low risk.

Jim suggested holding off on this item for the moment.

Gene asked about the procedure for changing the policy, since dropping FDIC coverage is a significant change. Bob stated that there are two things affected by a change: he read a portion of the Bylaws and Policy Manual as follows:

From the Bylaws, Section VIII, par 3:

Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories, and shall be maintained in insured accounts, as the Board of Directors may select.

From the Policy Manual, Section II:

B. Banking

1. *The Association shall maintain funds in accordance with Article VII of the Bylaws and the following:*
 - a. *Funds with any single bank (or any other federally insured institution) shall be limited to that amount insured by the FDIC, currently \$100,000. Normally, the targeted aggregate limit shall be \$95,000. All banking accounts shall be maintained with local bank branches.*
 - b. *1. Operating Account. One checking account shall be for the purpose of paying routine expenses, and its maximum balance should not exceed one month's normal operating expenses, currently about \$15,000. Operation of this account may be delegated to a third party for the payment of such expenses. (See Section III.I.1 below.*
2. The Association may use 'Online' banking services offered by its depository banks. The Treasurer may operate these services, and may transfer funds between Association accounts.
Upon any intra-bank transfer, the Association President or Vice President shall be advised for information purposes only.
 - c. *Corporate Account. All deposits shall be made to this account, which shall have a targeted maximum of \$30,000. Depending on seasonal cash flows and anticipated cash needs, the maximum level may increase to \$80,000.*
 - d. *Interest Bearing Accounts/Certificates of Deposit. Funds in excess of short term anticipated needs should be in interest bearing accounts. Funds in 'money market' accounts should not exceed \$50,000.*
 - e. *Certificates of Deposit. Maturities should meet seasonal and anticipated capital investment needs. Amounts, term of deposits and institution shall be approved by the Board, as recommended by the Treasure*

Jim Peoples stated that both Bylaws and Policies may be changed by the Board of Directors.

Sherrie Amour indicated that there are insured annuities, but was not certain if corporations could invest in them, and suggested they might be something to look into for insured investments. Most are fixed rate, some are variable rate.

There was some discussion about the meaning of the language in the policy and whether that restricted investments to CDs.

John James then introduced recommendations for amount limits in the various accounts.

Motion: Dave Kramer moved to change the Policy Manual to the amounts recommended by John James. The policy would then read as follows:

. B. Banking

2. The Association shall maintain funds in accordance with Article VII of the Bylaws and the following:
 - a. Funds with any single bank (or any other federally insured institution) shall be limited to that amount insured by the FDIC, currently **\$250,000**. Normally, the targeted

aggregate limit shall be **\$200,000**. All banking accounts shall be maintained with local bank branches.

- b. 1. Operating Account. One checking account shall be for the purpose of paying routine expenses, and its maximum balance should not exceed one month's normal operating expenses, currently about **\$30,000**. Operation of this account may be delegated to a third party for the payment of such expenses. (See Section III.I.1 below.
2. The Association may use 'Online' banking services offered by its depository banks. The Treasurer may operate these services, and may transfer funds between Association accounts.
Upon any intra-bank transfer, the Association President or Vice President shall be advised for information purposes only.
- c. Corporate Account. All deposits shall be made to this account, which shall have a targeted maximum of **\$50,000**. Depending on seasonal cash flows and anticipated cash needs, the maximum level may increase to **\$100,000**.
- d. Interest Bearing Accounts/Certificates of Deposit. Funds in excess of short term anticipated needs should be in interest bearing accounts. Funds in 'money market' accounts should not exceed **\$125,000**.
- f. Certificates of Deposit. Maturities should meet seasonal and anticipated capital investment needs. Amounts, term of deposits and institution shall be approved by the Board, as recommended by the Treasurer.

Motion seconded by Ken Mino. Motion passed unanimously.

As Tom Randa of Chase Bank had arrived, Jim Peoples then returned the meeting to a discussion of possible change of banks. Tom Randa of Chase Bank presented a mock bank statement based on average GOWUA balances with Foothills bank, and the AutoPay transactions processed by GOWUA. He indicated that with a current earnings credit of .65% and reducing depository service charges, the net service charge to GOWUA would be \$46.37 for the average balance of \$88,300. The service charge would be lower for a higher average balance.

Kim Eldredge then recited problems she has encountered with Foothills Bank, including poor customer service she has received. The conversion to the Foothills AutoPay was time consuming and required Bob's involvement to help get useful conversion instructions. Their bank statements are also very confusing, with poor explanations. When she calls with questions, she is referred to the Prescott branch, even though there is now a branch in Chino Valley. Some questions are referred to the branch in Yuma.

John James stated that he has not had that experience with Foothills and indicated that Foothills is making changes and interested in discussing them with the board. It was a general consensus to hold off making a decision about banking changes until hearing from Foothills Bank at the next meeting.

There was some follow up discussion about the language in the Bylaws and Policy Manual regarding banking & investments.

Motion: John Monroe moved to change the language in the Policy Manual to agree with the Bylaws. The Policy Manual would then read as follows:

B. Banking

All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories, and shall be maintained in insured accounts, as the Board of Directors may select.

Funds with any single bank (or any other federally insured institution) shall ...

Ken Mino seconded. Motion passed unanimously.

4, Discussion of Engineering Proposals for Capital Improvement/Replacement Program Study.

Jim Peoples indicated that the board had received proposals from Civiltec prior to the last meeting and recently received a proposal from Granite Basin Engineering. The cost of the proposals is similar (less than \$3,000 difference). He noted that the GBE suggestion of looking at increasing fire flows was attractive, as it could significantly lower property insurance for homeowners.

Bob stated that the second proposal (from GBE) was solicited to get a cost comparison for the work, as the Board was not certain the Civiltec proposal was competitive. The GBE proposal was close to the Civiltec proposed cost, so Civiltec's proposal was competitive.

There was discussion about the merits of the firms. Bob commented that he has worked with both, and that they are both competent, respected engineering firms. Jim Muylle indicated that he was not very familiar with either, as Mike Young would be more knowledgeable about that. Bob said that Civiltec was more familiar with the GOWUA system, having done considerable work for the company. It would likely take GBE longer to get up to speed on the GOWUA system, but since cost proposals are about equal, it might not matter to GOWUA. GBE is a younger firm, but they have done lots of work in the area for a good client list. John Monroe said that the idea of a new firm with a new perspective appealed to him. After some further general discussion, the following motion was introduced:

Motion: Ken Mino moved to grant the contract to Granite Basin Engineering. John Monroe seconded. The motion carried unanimously.

There was some additional discussion concerning the timeframe for the execution of the contract. It was suggested that GBE be asked to attend the next meeting with a contract for approval and discuss a timeframe for completion of the work.

Action Item: Bob will discuss with GBE, and have them attend the next meeting with a draft contract drawn up for consideration by the Board.

There being no further business to discuss, Jim Peoples asked for a motion to adjourn.

Motion: John James moved to adjourn the meeting. Gerry Tumey seconded. Motion carried.

The meeting was adjourned at approximately 9:50a.m.

Next meeting: Wednesday, May 16, 2012, 8:00am – Post Oak Site .

Minutes transcribed by Bob Busch

Submitted By:

Secretary